

LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MAY 10, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Nine copies of this public document were produced at an approximate cost of \$24.57. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3418 or Report ID No. 05602242 for additional information.

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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April 21, 2006

**LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER - NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana**

As part of our audit of the Louisiana State University System's financial statements for the year ended June 30, 2005, we considered the Louisiana State University Health Sciences Center-New Orleans' internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the center's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the Louisiana State University Health Sciences Center-New Orleans' internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the center's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The financial information provided to the Louisiana State University System by the Louisiana State University Health Sciences Center-New Orleans is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The center's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior accountant's review report on the Louisiana State University Health Sciences Center for the year ended June 30, 2004, we reported a finding relating to no formal disaster recovery plan. That finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2005.

Donation of Public Funds

The Louisiana State University Health Sciences Center-New Orleans (LSUHSC-NO) School of Medicine (SOM) may have violated the Louisiana State Constitution when it instructed the LSU Healthcare Network (HCN), a blended component unit of the LSUHSC-NO, to donate \$2,000,000 of funds designated for the SOM to the LSU School of Medicine - New Orleans Medical Alumni, Inc. (Alumni Association). The Louisiana Constitution, Article VII, Section 14, states, "Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

The HCN is a private tax-exempt entity established to assist the SOM in the attainment of its educational and research missions and goals. The relationship between the LSUHSC-NO and the HCN are established and defined by agreement as follows:

- A Cooperative Endeavor Agreement, dated November 1, 2000, was established to define the relationship between the LSUHSC-NO and the HCN. This agreement provides that the HCN bills and collects professional fees on behalf of the SOM and its physician employees whose professional services are leased by the HCN. This agreement also provides that certain funds generated by the HCN should be used to benefit the SOM.
- The LSUHSC-NO and the HCN have also entered into an Operating Agreement, dated November 1, 2000, to better describe the purpose and obligations as defined in the above Cooperative Endeavor Agreement. Pursuant to the terms and conditions of that Operating Agreement, the HCN, at the request of the SOM, internally designates fund balances for departments of the SOM. The funds designated to the SOM are from clinical revenues, less practice expenses and other internally designated allocations.

The donation from the HCN to the Alumni Association was made based upon the following two agreements:

- The SOM and the HCN's Executive/Finance Committee adopted a Joint Resolution that the HCN donate \$2,000,000 to the Alumni Association for development of a Learning Center for the education of students and physician employees of the SOM. The funds donated are from reserves designated to specific departments of the SOM.
- The donation was made with an Agreement to Donate Funds between the HCN and the Alumni Association. The agreement states that the funds are for the exclusive and dedicated purpose of developing the Learning Center.

Because the HCN's donation was from funds that were designated for the SOM, which is a public entity, the donation is not actually a donation from the HCN to the Alumni Association, but rather a donation from the SOM to the Alumni Association. This donation appears to be prohibited by the state's constitution. The constitution and courts direct that the donation of public funds is prohibited even if the goal of the donation is for a worthwhile cause.

Management of LSUHSC-NO should ensure that all transactions involving funds dedicated to the SOM, which are considered public funds by their designation to the SOM, are administered in accordance with the constitution and state laws. In addition, LSUHSC-NO should consider requesting an Attorney General's Opinion regarding this donation and determine courses of action if the donation is found to be prohibited by the constitution. Management did not concur with the substance of the finding and expressed that the transfer was appropriate to further the public purposes of the SOM. However, to cure any problems or misunderstandings about this transaction, which was characterized as a donation, LSUHSC-NO has requested and received a check from the Alumni Association to return the monies to the HCN. Management stated that a new transaction will be prepared in proper substance and form to accomplish the original objective of expanding the Learning Center (see Appendix A, pages 1-9).

Unlocated Movable Property

LSUHSC-NO did not have adequate internal control over movable property. As required by state movable property regulations, LSUHSC-NO conducted physical inventories and reported unlocated movable property items totaling \$2,600,159 for the four-year period from fiscal year 2002 to fiscal year 2005. Of that amount, items totaling \$261,437 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on the physical inventory certification, the amount of unlocated computers and computer-related equipment totaled \$1,012,339. The certification of property inventory disclosed \$86,392,031 in total movable property administered by LSUHSC-NO. The annual certification of property inventory was submitted to the Louisiana Property Assistance Agency on November 24, 2004.

Good internal control and the Louisiana Administrative Code prescribe that efforts should be made to locate all movable property items for which there are no explanations available for their disappearance. Assets should be adequately monitored to safeguard against loss or theft, and periodic counts of property inventory, as well as the search for missing items, should be thorough.

Failure to thoroughly secure, locate, and account for movable property increases the risk of loss arising from unauthorized use of the property and could subject LSUHSC-NO to noncompliance with state laws and regulations. Also, the risk exists that sensitive information could be improperly retrieved from the missing computers and/or computer-related equipment, which could compromise LSUHSC-NO's data integrity.

Management of LSUHSC-NO should strengthen its internal controls over movable property, including its procedures for securing its movable assets and conducting its physical inventory, and should devote additional efforts to locating movable property reported as unlocated in previous years. Management partially concurred with the finding and recommendation stating that it has already implemented stronger internal controls during the current inventory. Management outlined a plan of corrective action (see Appendix A, page 10).

HIV Care Formula Grants Program Expenses Not Reconciled

LSUHSC-NO is not reconciling the expenses billed to the HIV Care Formula Grants Program (CFDA 93.917) to the general ledger. The Code of Federal Regulations (45 CFR 92.20), Standards for Financial Management Systems, states, in part, that recipients and subrecipients of a grant are required to have financial management systems which maintain records that adequately identify the application of funds provided for financially assisted activities. These records must contain information pertaining to awards and expenses. Good internal control includes reconciling invoiced expenses to the general ledger. An accurate reconciliation would allow management to ensure that all allowable expenses are being reimbursed and fraud and/or errors are detected in a timely manner.

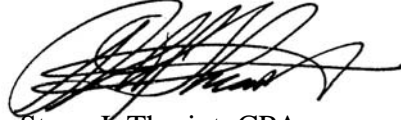
During the contract year, March 1, 2004, to February 28, 2005, total expenses billed to the grant were \$195,986. The total expenses per the general ledger were \$232,710. Failure to reconcile the expenses to the general ledger increases the risk that all allowable expenses are not being billed and that fraud and/or errors could occur and not be detected in a timely manner.

Management of LSUHSC-NO should require monthly reconciliation of the expenses included in the reimbursement request to the general ledger to ensure that the accounting records are both accurate and reliable and that expenses included in the reimbursement request are both complete and properly recorded. Management partially concurred with the finding and recommendation stating that amounts were eventually reconciled. Management outlined a plan of corrective action (see Appendix A, page 11).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the center. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the center should be considered in reaching decisions on courses of action. The findings relating to the center's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the center and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

DSG:ES:PEP:dl

LSUHSCNO05

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Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



Health Sciences Center

NEW ORLEANS

Administration and Finance
Office of the Vice Chancellor

School of Medicine
School of Dentistry
School of Nursing
School of Allied Health Professions
School of Graduate Studies
School of Public Health

April 13, 2006

Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

This is the official response of the LSU Health Sciences Center-NO to the audit finding issued by your office on March 31, 2006.

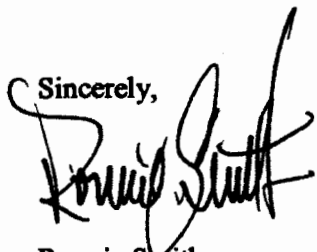
At issue is a transaction whereby the LSU Healthcare Network ("HN"), which is a blended component unit of LSUHSC-NO, transferred \$2,000,000 of funds to the LSU School of Medicine – New Orleans Medical Alumni, Inc. ("Alumni Association"). The transfer was for the expansion of a Learning Center for the furtherance of medical education. The agreement providing for the transfer was entitled "Agreement to Donate Funds". Your finding is that the funds transferred had previously been designated for the School of Medicine, and thus the transfer was an improper donation of state funds to a private entity.

LSUHSC-NO believes that this transfer of funds was appropriate. HN has obtained a legal opinion, attached, that the transfer is permissible under long-standing Louisiana law because the expenditures, however entitled, were in fact used to further the public purposes of the School of Medicine. The Learning Center expansion is an entirely appropriate project which will further the educational mission of the School of Medicine, and it would be permissible to use either public School of Medicine funds or private HN funds designated for the benefit of the School to expand the Learning Center.

However, LSUHSC-NO agrees that the original transaction was improvidently characterized as a donation. In order to resolve this matter and cure any problems or misunderstandings,

LSUHSC-NO requested that the Alumni Association return the funds to the HN, and the Alumni Association has done so. A copy of the check is attached. This should resolve the issue raised by your finding. Because of the great benefits the Learning Center expansion promises to provide to the educational mission of the School of Medicine, a new transaction, in proper substance and form, will be prepared to accomplish the objectives originally intended.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronnie Smith", written over the word "Sincerely,".

Ronnie Smith
Vice Chancellor for
Administration and Finance

Attachments

cc: Larry Hollier, MD
David Dotter
Bill Silvia
Ray Lamonica
Patrick Martin

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April 12, 2006

Keith Schroth, Associate Dean of Finance
LSU School of Medicine in New Orleans
433 Bolivar Street - 3d Floor - Office of the Dean
New Orleans, LA 70112-7223

Via Federal Express
504-376-4152

Re: Operating Agreement

Dear Keith:

Enclosed is the original signed opinion to go to the Legislative Auditor. Please let me know if there are any further questions.

Sincerely,



KATHLEEN L. DEBRUHL

KLD:dmk

Enclosure

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April 12, 2006

Mr. Ronnie Smith
Vice Chancellor for Administration and Finance
LSUHSC - New Orleans
433 Bolivar, Suite 811
New Orleans, LA 70112-7223

Re: Legality of Donation Made by LSU Healthcare Network to the LSU School of
Medicine - New Orleans Medical Alumni Association, Inc. ("Alumni Association")

Dear Mr. Smith:

Our law firm represents the Louisiana State University School of Medicine in New Orleans Faculty Group Practice Plan, a Louisiana Non-Profit Corporation also known as, and doing business as, the LSU Healthcare Network ("LSUHN"). We were recently forwarded correspondence addressed to you dated March 31, 2006, by the Louisiana Legislative Auditor and contacted by Keith Schroth, Associate Dean of Finance for the School of Medicine, as it pertains to the donation by LSUHN of \$2 million to the LSU Alumni Association to develop the Learning Center.

Mr. Schroth, Dr. J. Patrick O'Leary, President of the LSUHN, and John Caire, Finance Director of the LSUHN, had requested our "opinion" as it relates to the matters discussed in the preliminary audit which is attached to the Legislative Auditor's letter. As we were aware of the request to transfer funds from the LSUHN to the Alumni Association, we advised our client, LSUHN, that we were prepared to respond with our position as it affects the actions of the Executive Committee and Finance Committee of the LSUHN. However, please note, our law firm does not represent the LSU School of Medicine in New Orleans and, as such, we cannot provide either an opinion or legal representation on their behalf.

Kathleen L. DeBruhl & Associates, L.L.C.
Ronnie Smith, Vice Chancellor for Administration & Finance
April 12, 2006
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I. Background - LSUHN and SOM

As the Senior Auditor, Diane Genre, CPA, discusses in the preliminary audit findings, LSUHN is a private tax-exempt entity established to assist the LSUHSC-NO SOM in the attainment of its education and research missions and goals. The preliminary audit acknowledges the Cooperative Endeavor Agreement between the Board of Supervisors and LSUHN and paraphrases certain aspects of the Cooperative Endeavor. Specifically, the preliminary audit states that:

"... the agreement (Cooperative Endeavor) provides that the HCN bills and collects professional fees on behalf of LSUHSC-NO and its physician employees whose professional services are leased by the HCN. This Agreement also provides that certain funds generated by the HCN should be used to benefit the SOM."

While this excerpt is correct, it is only a representation of a limited aspect of the contract and actual relationship between the SOM and LSUHN.

LSUHN also has as its many functions the development of physical facilities and resources to enhance the delivery of healthcare services, including clinic sites, surgery centers, and imaging services. LSUHN, through the Cooperative Endeavor, has further pledged to assist the University in making its healthcare management and training functions more efficient. These functions, as described in the Cooperative Endeavor, offer the foundation for the use of LSUHN funds. To suggest that LSUHN funds are entirely limited as fund balances for the Departments of the SOM would not begin to describe the financial support or their mechanisms from the LSUHN to the SOM.

As the Bylaws of the LSUHN describe, the Dean of the School of Medicine is at the center of governance and control. The Dean is a permanent member of the Board of Directors and sits on various operational committees, including the Executive Committee and the Finance Committee. The LSUHN Board has a long history of integration with the SOM, including faculty and alumni representation. As such, the funds in the LSUHN are continually monitored and not only returned to the SOM as departmental revenues, but are used for other areas of practice enhancement, all with the approval of the LSUHN Executive and Finance Committees and the SOM.

II. Background - Alumni Association and SOM

The LSU School of Medicine - New Orleans Medical Alumni Association, Inc. (the "Alumni Association") and the LSU Board of Supervisors entered into an Affiliation Agreement dated December 19, 2003. As with the LSUHN Cooperative Endeavor Agreement, this agreement has very detailed and enumerated duties and responsibilities very similar to the support functions of the

Kathleen L. DeBruhl & Associates, L.L.C.

Ronnie Smith, Vice Chancellor for Administration & Finance

April 12, 2006

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LSUHN. These duties and responsibilities include receiving things of value for activities in research or other designated benefits for the University, its faculty, staff and students. The transfer of funds from the LSUHN for the additional development of the Learning Center was intended to complement and support the mutual goals of both the LSUHN and Alumni Association in the support of teaching functions of the SOM.

III. Transfer of \$2 Million from LSUHN to the Alumni Association

In April 2005, the Dean of the SOM reported a need to enhance the development of the Learning Center. As LSUHN maintains both public and private funds, the Dean requested a transfer of \$2 million to the Alumni Association with the dedicated purpose of developing the SOM's Learning Center. An Agreement to Donate Funds was drafted to specifically transfer the funds for a very dedicated and restrictive purpose which was considered to be commensurate with the support functions of the LSUHN and Alumni Association of the SOM. To best reflect this transfer of funds, the LSUHN Executive/Finance Committee entered into a Joint Resolution with the SOM to reflect its understanding of what monies were being transferred and for what purpose. There is not an argument with the Legislative Auditor that these funds were negotiated by the Dean with the Departments of the SOM to be used for the Learning Center. However, it is our position that the use of these funds should be considered a "transfer" of funds between similar and like-kind organizations with similar goals and support of the SOM, and that such "transfers" have been previously approved by the Louisiana Supreme Court.

IV. Law and Analysis

A. Louisiana Supreme Court

In *Guste v. Nicholls College Foundation*, the College collected "self-assessment" fees from students, which were approved by the student body in a student referendum, designated for the Nicholls Alumni Federation, a nonprofit corporation (the "Federation"). *Guste v. Nicholls College Foundation*, 564 So.2d 682, 684-686 (La. 1990). These fees were placed in a general operating account of the College and transferred to the Federation in one lump sum payment each semester. *Id.* The Board of Directors of the Alumni Federation decided to give to the Nicholls College Alumni Foundation, a Non-Profit Corporation (the "Foundation") ten percent (10%) of all the student assessed fees received from the University. *Id.* In connection with an investigation conducted at the College, the Office of Inspector General sought to examine the financial records of the Foundation on the belief that the Foundation had received "public funds" through a "donation" from the Federation. *Id.* These funds were considered "public" because they originated from the student "self-assessment" fee collected by the College. *Id.*

Kathleen L. DeBruhl & Associates, L.L.C.
Ronnie Smith, Vice Chancellor for Administration & Finance
April 12, 2006
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The Federation's purpose, pursuant to its Articles of Incorporation, was to "foster, protect and promote the welfare of Nicholls State University." *Id.* at 685. The Foundation had a similar purpose which was to "promote, stimulate and improve the educational, cultural, moral and material welfare of Nicholls State College . . . to give financial aid to needy and deserving students; to promote and encourage research and scholastic excellence among the faculty members of Nicholls State College..." *Id.*

At issue in the case was whether the Inspector General could examine the Foundation's records because of its receipt of "public funds" in the form of the student self-assessment fee. *Id.* at 684.

As part of the Court's analysis as to whether the Foundation's records come within the scope of the Public Records Act, it addressed the following issues:

1. Was the money transferred in furtherance of a constitutional or legal duty of the Federation?
2. Correspondingly, if not a public body, was the Foundation, upon receipt of the funds, charged to use it in furtherance of a constitutional or legally endowed responsibility? *Id.* at 686.

In addressing the first issue, the Court looked at the purpose for the Federation's formation.

The Federation was formed to further the educational goals of the College and was designated as an entity to perform a "governmental or proprietary function". *Id.* at 688. The Court found that the educational goals of the Federation fit within the legal and constitutional duties of the University, in addition to constituting a charge under its Charter. *Id.*

Because the Federation had made a "donation" to the Foundation, it appeared to have violated La. Const. art. 7 § 14(a). However, the Court held that because the central purpose of both organizations is to promote the University, it can be presumed that the transfer was in furtherance of the respective groups' purposes and not an impermissible donation. *Id.* The transfer of funds from the Federation to the Foundation was in furtherance of the Foundation's discharging its constitutional or legal duties of furthering public education. *Id.* In other words, it must have been given by the Federation in pursuit of its legally endowed goals. *Id.*

In addressing the issue of a private non-profit corporation's receipt of public funds to assist the goals of a public body, the Court, again, looked at the similar purposes of all entities involved.

Kathleen L. DeBruhl & Associates, L.L.C.
Ronnie Smith, Vice Chancellor for Administration & Finance
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Page 5

The Foundation had undertaken as its purpose, assistance to the College, its faculty, and its students, by promoting public education, a purpose that coincides with the College's legal and constitutional duties. *Id.* Because the objectives of each entity coincide with the furtherance of a governmental purpose, and because a simple donation would be illegal under the Louisiana Constitution, the Court held that the money was given and accepted "under the authority of the Constitution and the laws of the State" in furtherance of a governmental purpose. *Id.* It was not a donation as contemplated by the La. Const. art. 7 § 14(a). *Id.*

Based upon the legal precedent established by the Louisiana Supreme Court, it is our position that the LSUHN donation of the \$2 million was a "transfer" as described in the above-referenced case and does not violate the Louisiana Constitution because of the similar goals and functions of both the LSUHN and the Alumni Association.

B. Louisiana Attorney General

The holding in *Guste* was followed by the Attorney General in the following two opinions: (1) La. Attorney General Opinion 99-70, and (2) La. Attorney General Opinion 96-291.

In Opinion 99-70, Plaquemines Courthouse District (the "District") requested an opinion to determine if it could receive interim funding needed for the acquisition or construction of a new courthouse or renovating the existing courthouse for the Parish of Plaquemines. Such interim funding would come from the District Attorney's Office and the Sheriff's Office, and other entities and agencies that would be housed in the new courthouse.

The Attorney General, using *Guste* as a guide, concluded that the agencies or entities that will be housed in the new courthouse could provide the District with interim funding and that such an arrangement would not be considered a prohibited donation under La. Const. art. 7, § 14(a) because the entities and agencies donating funds shared the same objective with the District to build a new courthouse (public purpose).

In Opinion 96-291, the Village of Roseline (the "Village") and the Roseline Recreation Association, Inc. (the "Association") sought to enter into a cooperative endeavor to refurbish the Roseline Gymnasium into a community center. Specifically, the Village will assist with the cost of the repair by making funds available for the project.

The Attorney General found the facts presented by the Village to be similar to those in *Guste*. A review of the Articles of Incorporation of the Association reflected that its corporate purpose to be the promotion of education, culture and recreation for the citizens of Roseline. The Village was clearly authorized to develop recreational facilities within its jurisdiction. Thus, it could appropriate

Kathleen L. DeBruhl & Associates, L.L.C.
Ronnie Smith, Vice Chancellor for Administration & Finance
April 12, 2006
Page 6


funds to the Association in return for the Association's commitment to assist the Village in the implementation of its recreational programs, including programs of social welfare. In other words, pursuant to *Guste*, the funds were appropriated in the discharge of the Village's constitutional or statutory duties and were accepted by Association, a non-public body, with a commitment to assist the Village in carrying out its constitutional and legal duties.

The Attorney General Opinions further support *Guste* by providing examples of donations that were considered "transfers" because the various entities involved sent and received funds in furtherance of a government purpose. Furthermore, the Supreme Court's broad interpretation of "transfer" is similar to interpretations by other states to allow easier use of public funds for a public or governmental purpose.

V. Conclusion

It is our conclusion that the transfer of the \$2 million from the LSUHN to the Alumni Association was not a donation of SOM and/or public funds prohibited by the Louisiana Constitution because it was money given and accepted under the Constitution and laws of the State of Louisiana in furtherance of a government purpose pursuant to *Guste*. This transaction should be considered legal and acceptable to the Legislative Auditor based upon legal precedent which allows such transfers in pursuit of a governmental purpose.

Sincerely,


KATHLEEN L. DEBRUHL & ASSOCIATES, L.L.C.



Health Sciences Center

NEW ORLEANS

Administration and Finance
Office of the Vice Chancellor

School of Medicine
School of Dentistry
School of Nursing
School of Allied Health Professions
School of Graduate Studies
School of Public Health

April 4, 2006

Re: Response to Audit Finding: Unlocated Movable Property

Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot,

I partially concur with the finding as reported. The university had already implemented stronger internal controls during the current inventory. In fact over \$ 804,000 of the unlocated movable property referred to in the finding has been located mid-way through the current inventory. The finding does highlight an opportunity for the university to include previously reported unlocated movable property on its internal reports.

Corrective action plan:

The university will include prior year unlocated moveable property on the internal missing property reports.

Anticipated Completion Date:

The university anticipate implementation of this reporting change no later than October 31, 2006.

Person responsible for corrective action:

Patrick Landry, Executive Director of Financial Services
Phone: 504-568-4815
Email: pland2@lsuhsc.edu

Respectfully,

Ronnie Smith
Vice Chancellor for Administration and Finance

cc: Larry Hollier, MD
Terry Ullrich
David Dotter



Health Sciences Center

NEW ORLEANS

Administration and Finance
Office of the Vice Chancellor

School of Medicine
School of Dentistry
School of Nursing
School of Allied Health Professions
School of Graduate Studies
School of Public Health

April 4, 2006

Re: Response to Audit Finding: HIV Care Formula Grants Program Expenses Not Reconciled

Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot,

I partially concur with the finding as reported. The university did not reclassify expenses initially charged to the grant mentioned in the finding prior to fiscal year end. However, the university did reconcile the amount of expenses to be billed and billed the correct amount.

Corrective action plan:

The university will add a step to its annual closing schedule to ensure that all required entries identified during federal cost reimbursement project reconciliations be completed by the fiscal year end close.

Anticipated Completion Date:

The university anticipates implementation of this additional step in its closing schedule no latter than June 30, 2006.

Person responsible for corrective action:

Patrick Landry, Executive Director of Financial Services
Phone: 504-568-4815
Email: pland2@lsuhsc.edu

Respectfully,

Ronnie Smith
Vice Chancellor for Administration and Finance

cc: Larry Hollier, MD
Terry Ullrich
David Dotter

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